

TEACHERS' RETIREMENT BOARD

AD HOC GOVERNANCE COMMITTEE

SUBJECT: Travel Policy

ITEM NUMBER: 4

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: May 6, 1998

INFORMATION:

PRESENTER: Mr. Mosman

At the April Board meeting, during the discussion of the Travel item, several questions were raised concerning the process whereby Board members are selected to serve as speakers or panel members at various events. Some concern was expressed that there exists no specific procedure to designate which Board members will represent the System at various events. Also, it is unclear which travel category is most appropriate for speaking engagements.

The current travel policy (attached) authorizes one or more members to conduct specific business or attend a specific event and represent the System in an official capacity. This section of the travel policy was intended to cover such events as attendance at the Council of Institutional Investors or meetings of the National Council on Teachers Retirement (NCTR). However, it is unclear whether speaking engagements should fall into this category if the member is representing the System in an official capacity. There appear to be two general types of speaking engagements:

1. Speeches or panel participation involving a specific constituency group of STRS (e.g., CRTA, CTA, CFT, FACCC, etc.)
2. Speeches or panel participation at a general conference or educational session which is not directly connected to a STRS constituency.

It would seem appropriate to include at least the first category of speaking engagements in the current category "2" type of travel. The Board member is clearly representing the System and has been requested to speak by a STRS constituency group. The treatment of the second category of speaking engagements is less clear. General conferences often seek STRS Board member participation because it enhances the attractiveness of the conference to other possible participants. These conferences tend to be discretionary. The Board needs to classify how it wishes to handle speaking engagements at such events. Currently, these are treated as a category "3" event.

Ad Hoc Governance Committee - Item 4
May 6, 1998
Page Two

There is another policy relating to speaking engagements which may need some adjustment. Currently, Board policy allows a sponsoring organization to pay necessary expenses if a STRS Board member is designated to be a speaker at an event provided such expenses are allowable under the State Fair Political Practices Commission (FPPC) regulations. The Public Employees' Retirement System (PERS) has recently changed its travel policy to require that all expenses for all Board member travel be paid by the System notwithstanding the circumstances. The STRS Board may wish to consider a similar policy in order to eliminate all issues associated with payment of travel expenses by a third party. If the Committee wishes to pursue this course, amendments to the travel policy will be necessary.

415

BOARD TRAVEL

BOARD AND EXECUTIVE STAFF TRAVEL AUTHORIZATION

A. Board Member travel is considered an appropriate expenditure of the System's funds when the travel falls within any of the following categories:

1. Travel is necessitated to attend any publicly noticed meeting of the Teachers' Retirement Board.
2. The Board authorizes one or more members to conduct specific business or attend a specific event and represent the System in an official capacity (e.g. representation at Council of Institutional Investors meetings or representing the System at the annual meeting of the National Council on Teacher Retirement).
3. Travel is authorized by the Board for one or more members to attend seminars, conferences, or educational classes where the Board Member's capacity to carry out his/her duties as a trustee of the System will be enhanced in a significant manner (including speaking engagements where a Board Member can enhance his/her capacity through participation at the event).

For Category 1 travel, the public notice of a Board meeting serves as the automatic prior approval of any travel necessary to attend the meeting.

For Category 2 and 3 travel, action of the full Board is necessary in advance. If an urgent travel need develops in advance of a scheduled Board meeting, then the travel may be

authorized with joint approval of the Board Chairperson and Vice-Chairperson.

For Category 3 travel, the following guideline is set forth:

Normally a maximum of three events of this nature will be considered appropriate per calendar year.

- B. All travel outside California (domestic or international) by executive staff, except for category 1 travel, is subject to prior approval by the Board. If a travel need develops prior to a scheduled Board meeting, the travel may be authorized with joint approval of the Board Chairperson and Vice-Chairperson.
- C. All travel that requires advance approval shall be reported to the Board after its conclusion. The report shall:
 - a. itemize the source of funding for the travel (privately funded, STRS reimbursed, gift-to-STRS, other).
 - b. include a summary report indicating the purpose of the trip and a summary of the information learned which enhances the capacity of a Board Member to carry out his/her duties as a trustee.

Failure to submit timely reports shall be cause to deny future travel requests.

BOARD TRAVEL EXPENSES

- A. STRS shall pay for travel expenses, including actual transportation and related lodging and subsistence, of Board Members on STRS-related business falling within Categories 1 and 2 travel. Exceptions to this rule require advance approval by the Board.

- B. Travel expenses incurred for authorized travel falling within Category 3 travel shall also be paid by STRS unless the Board Member attending the authorized event is designated to be a speaker and the sponsoring organization has agreed to pay all or part of the travel expenses.
- C. In situations where a STRS Board Member is designated to be a speaker and the sponsoring organization agrees to pay the necessary expenses in connection with having a STRS speaker, the payment of any expenses by a sponsor shall be governed by the System's Conflict of Interest (COI) Code and regulations issued by the Fair Political Practices Commission (FPPC). Necessary expenses may consist of actual transportation and related lodging and subsistence, or accepting direct or indirect payment or reimbursement for the same provided the receipt is permitted under the System's COI Code and FPPC regulations.
- D. It is not necessary that the event sponsoring organization pay all of the Board Member's necessary travel expenses as a condition of the Board Member's participation as a speaker if the member's participation has been approved by the Board to be funded by the System (in full or in part).
- E. Accepting actual transportation and related lodging and subsistence, or accepting direct or indirect payment or reimbursement for the same from any persons, business entity, organization, a foreign government, a bona fide public or private educational institution,¹ nonprofit charitable or religious organization,² or governmental entity other than

¹ Defined in Section 203 of Revenue and Taxation Code.

² Exempt from taxation under Section 501(c)(3) of the Internal Revenue Code.

either the System or the State of California in connection with one's official position as a member of the Board is prohibited, except where permitted under Board Policy and the receipt is not prohibited by any other provision of law, including the System's COI Code and FPPC regulations.

- F. The Board, on behalf of the System, may accept directly gifts of travel to defray necessary travel expenses in connection with official STRS business, including the designation of STRS speakers. In such instance, the System shall be deemed the recipient of the gift and not the official utilizing the gift if the following requirements are met under FPPC regulation '18945.2:

- (1) STRS receives and controls the gift of travel expense.
- (2) The gift of travel expense is used for STRS' official business.
- (3) STRS determines which Board Member and/or System employee will utilize the travel.
- (4) STRS memorializes in writing within 30 days of the receipt of the travel payment the identity of the donor and the applicable Board Member and/or System employee as well as a description of the official use and value of the travel, and files that writing with STRS' filing officer responsible for statements of economic interests.

- G. Claiming travel expenses from STRS or the State of California for other than state business is prohibited. No Board Member shall accept dual payment for travel expenses.

DISCLOSURE AND REPORTING REQUIREMENTS

- A. All STRS Board Members are subject to the disclosure and reporting requirements of the System's COI Code and FPPC regulations. Any Board Member that receives a gift of travel

expenses (paid or reimbursed) or the actual transportation and related lodging and subsistence from any third party other than either the System or the State of California has the responsibility to determine whether the receipt of the same must be disclosed and reported under the System's COI Code and FPPC regulations.

- B. Receipt of actual transportation and related lodging and subsistence or any payment or reimbursement of the same to Board Members regarding travel of any kind by third parties may subject the recipient Board Member to disqualification from participation in making Board Policy related to the third party. It is the recipient's responsibility to make sure that he or she does not engage in any action that places himself or herself in a conflict of interest.

Effective: April 20, 1990
Amended: October 8, 1997